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July 2, 1998

EX PARTE OR LATE FILING

BY MESSENGER

Magalie Roman Salas
Secretary
Federal Communications Commission
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Filing in CC Docket No. 97-211

Dear Ms. Salas:

MCI Communications Corporation ("MCI") and WorldCom, Inc. ("WorldCom") hereby submit this *ex parte* filing in the above-referenced proceeding, pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206(a). This letter responds to certain international issues raised in GTE's self-styled "Renewed Motion to Dismiss" filed on June 11, 1998 ("GTE Motion"). At the outset, MCI/WorldCom note that, in the nine months since this proceeding commenced, GTE remains the *only* party to have raised allegations that the proposed merger would have anti-competitive effects on the provision of basic international telecommunications services.

The international issues raised by GTE are simply recycled allegations that have already been fully rebutted by MCI/WorldCom. Because these baseless claims have already been addressed in the record in this proceeding, MCI/WorldCom do not respond to them again here. GTE, however, also cites a recent case -- the Commission's April 28, 1998 decision regarding the regulatory treatment of Comsat^{1/} -- to support its old arguments. The *Comsat Order* does not support GTE; indeed, it reinforces MCI/WorldCom's previous arguments.

^{1/} Comsat Corporation, *Order and Notice of Proposed Rulemaking*, FCC 98-78 (rel. Apr. 28, 1998) ("*Comsat Order*").

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A. Product Market Definition.

GTE asserts that the *Comsat Order* "specifically confirmed the existence of two separate international product markets, international private line and IMTS markets."^{2/} GTE fails to disclose, however, that no party in that proceeding even addressed the issue of the appropriate product definition. Thus, without examination, the Commission simply left in place the distinction between IMTS and international private lines services because "[n]either Comsat nor the parties dispute this finding and nothing in the record causes us to revisit this [1985] finding."^{3/} Moreover, in its competitive analysis throughout the *Comsat Order*, the Commission examined these services *together*, without any differentiation.

MCI/WorldCom have recommended that the Commission update its product market definition to reflect technological and market developments.^{4/} In any case, as MCI/WorldCom have made clear throughout this proceeding, even if IMTS and international private line services are examined separately, the proposed merger will not have adverse competitive effects on the provision of these services.^{5/}

^{2/} GTE Motion at 43.

^{3/} *Comsat Order* at ¶ 34.

^{4/} MCI/WorldCom have previously demonstrated that technological and market changes have substantially eliminated the distinction between IMTS and international private line services. *See, e.g.*, Second Joint Reply of WorldCom, Inc. and MCI Communications Corporation, CC Docket No. 97-211, at 47-49 (filed Mar. 20, 1998) ("MCI/WorldCom Second Joint Reply"). The growth of ISR is a significant reason for this development. GTE erroneously states that "relatively few countries" authorize PSTN access. The Commission, however, recently stated that those "few" countries account for 46 percent of all U.S. international traffic. *See* "International Bureau Authorizes ISR Between the United States and Japan" (rel. June 30, 1998). The Commission has authorized the provision of ISR to: Canada, the United Kingdom, France, Germany, the Netherlands, Sweden, Switzerland, Austria, Luxembourg, Norway, Australia, New Zealand, Japan, Denmark, and Belgium. Each of these countries authorizes the interconnection of international private lines to the PSTN.

^{5/} *See* MCI/WorldCom Second Joint Reply at 48-49.

B. Geographic Market Definition.

The Commission has stated that "a relevant geographic market aggregates into one market those consumers with similar choices regarding a particular good or service in the same geographical area."^{6/} Each point-to-point market constitutes a separate relevant geographic market.^{7/} The Commission, however, will aggregate a group of point-to-point markets when those markets "exhibit sufficiently similar characteristics (*i.e.*, essentially the same set of carriers offer the same set of choices to customers on those point-to-point routes."^{8/}

In the *AT&T International Non-dominance Order*, the Commission found that AT&T's market position did not vary substantially from one geographic market to the next.^{9/} Thus, except for the four routes for which AT&T was the *sole facilities-based provider*, the Commission examined AT&T's market power on a world-wide basis. The Commission took a similar approach in the *Comsat Order*, in which it aggregated point-to-point geographic product markets into two groups: routes for which Comsat generally "is the only satellite carrier that provides switched voice and private line services for these countries from the United States,"^{10/} and all other routes.

GTE tries to contort the findings in the *Comsat Order* to support its argument that the Commission should separately examine dozens of routes in its analysis of this case. In fact, in both the *AT&T International Non-dominance Order* and the *Comsat Order*, the *only* routes that were disaggregated and separately examined were those routes for which AT&T and Comsat were the sole facilities-based carriers. In this case, however, there are *no* routes for which MCI/WorldCom would be the sole facilities-based provider. Indeed, GTE can only

^{6/} *Comsat Order* at ¶ 27.

^{7/} See Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Inter-exchange Marketplace, *Second Report and Order in CC Docket No. 96-149 and Third Report and Order in CC Docket No. 96-61*, 12 FCC Rcd 15756, ¶ 64, *Order on Reconsideration*, 12 FCC Rcd 8730 (1997), *Order*, DA 98-556 (rel. March 24, 1998), *further recon. pending*.

^{8/} *Id.* at ¶ 66.

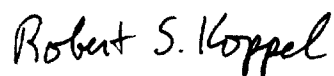
^{9/} See In the Matter of Motion of AT&T Corp. to be Declared Non-Dominant for International Service, *Order*, 11 FCC Rcd 17976, ¶¶ 32-35 (1996).

^{10/} *Comsat Order* at ¶ 28.

point to nine routes for which MCI/WorldCom would be the sole provider of international private line services.^{11/} All of these routes are also served by other facilities-based carriers. As MCI/WorldCom have previously pointed out, in 1996, the international private line services for these routes accounted for only 0.40 percent (\$2.7 million) of international private line service revenue (\$660.7 million).^{12/} The international private line revenue for these routes was less than three percent of the IMTS revenues on these routes.^{13/} Thus, consistent with Commission precedent, it is appropriate for the Commission to find a single world-wide, geographic market for purposes of examining the merged entity's market position in this proceeding.

Should there be questions concerning this matter, please contact the undersigned.

Very truly yours,



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cc: Michelle Carey
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Mark Uretsky

^{11/} These countries are: Angola, Cameroon, Congo, Kenya, St. Helena, Paraguay, Albania, Hungary, and Kazakhstan. As the Commission noted in the *Comsat Order*, the lack of competition on some routes may be due not to entry barriers, but to insufficient demand. See *Comsat Order* at ¶ 28.

^{12/} See MCI/WorldCom Second Joint Reply at 49 n.69.

^{13/} *Id.*